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## CENTRAL INTELLIGENCE AGENCY

## INFORMATION REPORT

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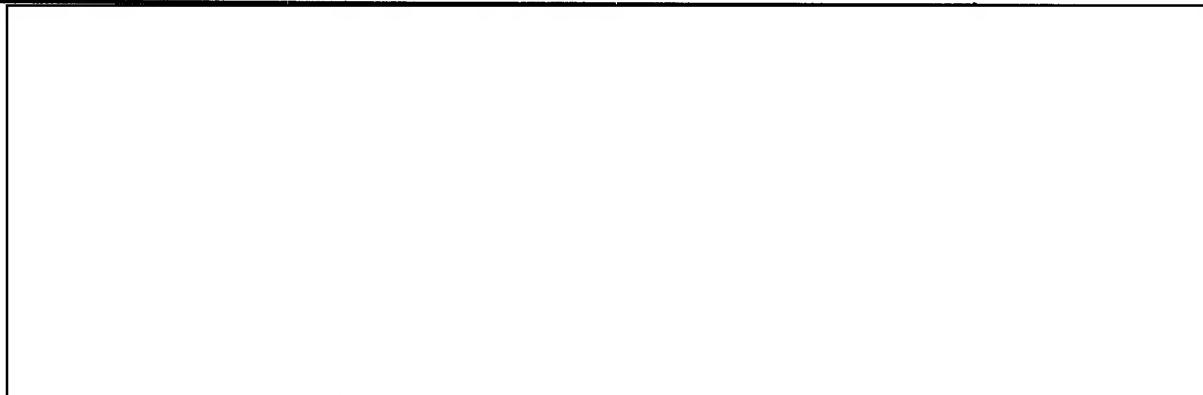
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Barter Trade through Hainan

1. From 1 March to 30 June 1953 the Modis Company<sup>1</sup>, representing Indonesian merchants, carried on with the Chinese Communists a barter trade involving each month an average of 2,000 ounces of quinine<sup>2</sup>, 100 tons of tin blocks, and 20 tons of raw rubber, which were consigned to the Supplies Distribution and Transport Bureau of the Chinese Communist government<sup>3</sup>. In exchange the Modis Company received mainly silk products, cloth and beans from Communist China. This trade was conducted at Haik'ou (N 20-03, E 110-20), Hainan Island, during the last 10 days of each month, and was expected to continue.

North Korean Procurement in Hong Kong

2. In early August North Korean buyers in Hong Kong were primarily interested in purchasing large quantities of newsprint in reels and wood-free printing paper, for delivery to North Korea.

Chinese Communist Control of Tientsin Exports

3. In early July the Chinese Communist Foreign Trade Bureau ordered that export

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permits would be issued only for shipments which included 40 percent of "goods in lesser demand." As a rule, native products from Tientsin could be sold in Hong Kong for a net profit of 15 to 20 percent, but these less popular goods could be sold only at a loss, which in some cases amounted to 30 percent of the original cost. This loss was made up by Tientsin import-export merchants through the importation of hardware and industrial supplies and equipment, which could be sold in Tientsin at a profit of about 20 percent.

Hong Kong Firms Dealing in German Products

4. In late July and early August 1953 Verder and Company (4850/1129/3152/5887), room 708, China Building, Queen's Road Central, Hong Kong, was selling metals of German manufacture to Communist China. The firm, which was exporting from China native products such as wood oil and vegetable oil, claimed excellent mainland contacts and frequently sent staff members to Shanghai for business consultations. However, they had suffered a loss of HK \$50,000 on penicillin shipments to Communist China, and had been unable to move three shipments of VKF brand German ball-bearings out of Macao to the Chinese mainland.
5. The Eurasia Mercantile Company, Hong Kong<sup>4</sup>, was organized by WU Yao-chang (0702/5069/4545), in association with some Germans he had contacted through German-naturalized American citizens<sup>5</sup>, for the purpose of assuring a supply of antibiotics after the imposition of the United States "Paris Group" trade controls.<sup>6</sup> The firm was trading principally in antibiotics and penicillin of German origin in August 1953. WU also owned the Y. C. WOO Company, South China Morning Post Building, third floor, which was associated with the Eurasia Mercantile Company and was an agent of the F. Eli Lilly International Corporation of Indianapolis. The Lilly agency was obtained by WU immediately after the end of World War II. Once the Eurasia Mercantile Company was organized, WU, a Cantonese graduate of Shanghai University, went to the United States on a visitor's visa, and in August 1953 had no intention of leaving the United States. WU travels on a Chinese Nationalist passport.

25X11. [redacted] Comment. The location of the Modis Company was not given.

25X12. [redacted] Comment. The shortage of quinine in China has made it necessary for Chinese Communist hospitals to use Paludrine in treating malaria.

25X1 [redacted] Comment. Paludrine is an anti-malarial of British manufacture which was synthesized in 1945.

25X13. [redacted] Comment. Probably the Storage and Transportation Division under the Ministry of Trade is meant.

25X14. [redacted] Comment. The Hong Kong Commercial Year Book, 1951, lists an Eurasia Medicine Company, 166 Des Voeux Road Central, managed by K. L. LIU (LIAO Chien-lu, 1675/0494/0188). The telephone directory for December 1952 lists the Eurasia Trading Company, 148 Des Voeux Road Central, which appears to be a new firm, since it does not appear in the December 1951 directory. Another American agency has reported an Eurasia Trading Company, room 410, China Emporium Building, which was dealing in Austrian industrial goods in late 1952.

25X15. [redacted] Comment. This phrase is confusing. Possibly naturalized American citizens of German extraction are meant.

25X16. [redacted] Comment. Probably the Coordinating Committee (COCOM) is meant, which in July 1950 redefined the Soviet Bloc to include Communist China and North Korea. However the COCOM controls do not include limitations on trade in antibiotics.

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